BEFORE THE ILLINOIS COMMERCE COMMISSION STATE OF ILLINOIS

Frontier Communications Corporation, Verizon Communications,)	
Inc., Verizon North Inc., Verizon South Inc., New)	
Communications of the Carolinas, Inc.)	
)	
Joint Application for the approval of a Reorganization pursuant to)	
Section 7-204 of the Public Utilities Act the Issuance of)	
Certificates of Exchange Service Authority Pursuant to Sections)	
13-405 to New Communications of the Carolinas, Inc.; the)	Docket No. 09-0268
Discontinuance of Service for Verizon South Inc. pursuant to)	
Section 13-406; the Issuance of an Order Approving Designation)	
of New Communications of the Carolinas, Inc. as an Eligible)	
Telecommunications Carrier Covering the Service Area Consisting)	
of the Exchanges to be Acquired from Verizon South Inc. Upon)	
the Closing of the Proposed Transaction and the Granting of All)	
Other Necessary and Appropriate Relief.)	

PREFILED REBUTTAL TESTIMONY OF SUSAN M. BALDWIN

ON BEHALF OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCALS 21, 51, AND 702

Filed: December 14, 2009

PUBLIC (REDACTED) VERSION

TABLE OF CONTENTS

I. INTRODUCTION					
Purpose of Testi	mony1				
-	II. RESPONSE TO JOINT APPLICANTS' REBUTTAL TESTIMONY2				
	ates the potential risks associated with systems integration2				
Frontier's plans	for systems replication and systems integration				
	cants fail to rebut concerns about the post-transaction broadband linois.				
	fail to rebut adequately concerns raised about the level of due diligence ontier regarding Verizon's network22				
Joint Applicants	mischaracterize NASUCA's position regarding ARMIS data23				
III. CONCLUSIO	N36				
	Figures				
Figure 1	Out of Service Troubles (Voice Service) in Illinois - April 2008 – October 2009				
Figure 2	Out of Service Troubles (Internet Service) in Illinois - April 2008 – October 2009				
	Exhibits				
IBEW Exhibit 4.1	Verizon May 2004 Meeting Minutes				
IBEW Exhibit 4.2	Verizon and Frontier Response to IBEW 8.30				
IBEW Exhibit 4.3	Verizon and Frontier Response to IBEW 8.24				
IBEW Exhibit 4.4	Verizon and Frontier Confidential Response to IBEW 8.25				
IBEW Exhibit 4.5	Verizon and Frontier Response to IBEW 8.26				

2		I. INTRODUCTION
3	Q:	Please state your name, position, and business address.
4	A:	My name is Susan M. Baldwin. I previously submitted direct testimony on October 20,
5		2009 (IBEW Exhibit 2.0).
6		Purpose of Testimony
7	Q:	On whose behalf is this rebuttal testimony submitted?
8	A:	This rebuttal testimony is submitted on behalf of the International Brotherhood of
9		Electrical Workers, Locals 21, 51, and 702 ("IBEW").
10	Q:	What is the purpose of your testimony at this time?
11	A:	IBEW asked me to review and to respond to the rebuttal testimony submitted on behalf of
12		Verizon Communications Inc. ("Verizon") and Frontier Communications Inc. ("Frontier")
13		(collectively, "Joint Applicants"), particularly as the Joint Applicants' rebuttal testimony
14		concerns systems replication and integration, broadband deployment, and service quality.
15	Q:	Based on your review of the Joint Applicants' rebuttal testimony, have you modified
16		the conclusions and recommendations set forth in your direct testimony?
17	A:	No. My review of the Joint Applicants' rebuttal testimony does not alter the
18		recommendations that I describe in detail in my direct testimony.

19 II. RESPONSE TO JOINT APPLICANTS' REBUTTAL TESTIMONY 20 0: Please identify the testimony that was submitted on November 13, 2009, on behalf of 21 the Joint Applicants, and that you reviewed. 22 A: I reviewed the following testimony, submitted on behalf of the Joint Applicants: 23 Rebuttal testimony of Daniel McCarthy, Executive Vice President and Chief 24 Operating Officer of Frontier; Rebuttal testimony of Carl E. Erhart, President Central Region, Verizon 25 26 Communications: 27 Rebuttal testimony of Stephen Edward Smith, Verizon Communications and New Communications Holdings Inc., Vice President of Business Development Group; 28 and 29 30 Rebuttal testimony of Billy Jack Gregg, Billy Jack Gregg Universal Consulting (on behalf of Frontier).¹ 31 32 Verizon understates the potential risks associated with systems integration 33 Mr. Smith indicates that "Verizon will take full responsibility for replicating its Q: 34 existing systems and transferring data to the replicated systems – and Verizon will 35 use those systems for its North Central Area (and will remedy any issues that may arise) prior to transferring them to Frontier."² Please comment. 36 37 A: Although, according to Mr. Smith, "systems transitions are common in the telephone industry," the process of replicating and integrating systems nonetheless poses risks for 38

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consumers and competitors in Illinois. Therefore, if the Illinois Commerce Commission

Also, Kim L. Czak submitted rebuttal testimony on behalf of Frontier regarding wholesale issues, which my rebuttal testimony does not address.

²/ Smith Rebuttal (Verizon), at 3.

 $^{^3}$ / Id.

("Commission") decides to approve the transaction, which I oppose, it continues to be important that the Commission establish sufficient safeguards to protect consumers and competitors against any disruptions resulting from either the systems replication or the systems integration that the proposed transaction would require.

Do you have reason to doubt Mr. Smith's assurances that such a transition is commonplace and that Verizon knows how to do it?

Q:

A.

Yes, I do. As part of the process of obtaining approval from the Federal Communications Commission ("FCC") for the Bell Atlantic – GTE merger that formed Verizon, Bell Atlantic committed that it would develop a uniform OSS in Pennsylvania and Virginia within five years of the merger. ⁴ The goal was that CLECs would be able to place orders seamlessly in former GTE and former Bell Atlantic service areas in both of those states.

Verizon converted the OSS in Virginia in 2002, about two years after the merger, but the process in Pennsylvania took considerably longer. The Pennsylvania conversion was originally planned to be completed in March 2003, just a few months after the OSS in Virginia was converted. But because of problems that apparently arose in the conversion process, the Pennsylvania conversion was delayed by more than a year. The conversion in Pennsylvania was not completed until July 2004 – 16 months later than it had been planned, and four years after the merger was closed. I have attached as IBEW Exhibit 4.1, Verizon's summary of the conversion timeline from a meeting with CLECs in May 2004. A review of subsequent meeting minutes of this group shows that the conversion

Application of GTE Corp. and Bell Atlantic Corp., FCC 00-221, 15 FCC Rcd 14032 (June 16, 2000), ¶ 287.

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PUBLIC (REDACTED) VERSION

occurred in July 2004.

A:

I would emphasize that this conversion involved only two states and was all taking place within Verizon – moving from existing GTE systems to existing Bell Atlantic systems. I do not know if Verizon was pleased with the results, but Verizon apparently decided that all of the other former GTE states (including Illinois, 12 other Spinco states, and portions of 3 additional states that Verizon is retaining) would not convert onto Bell Atlantic's OSS. Yet now Verizon claims that converting from those former GTE systems is commonplace and should not present any problems to Frontier.

Q: Are you asserting that unquestionably, Frontier would confront systems integration problems, post-transaction?

No. It is impossible to predict whether problems will ensue. My concern, however, is that there is a sufficient risk that such problems could occur so as to create a potential for harm to consumers and to competitors. When weighed against the many risks of the transaction, including, among others, the risk of systems integration, the purported benefits of the transaction do not justify approval. I acknowledge that the integration need not occur on day one, and that even after the option of support from Verizon expires in five years, Frontier could rely instead on internal or other external support in order to continue using the replicated systems, but at some point the integration of the numerous replicated systems likely will occur so that Frontier can gain operational efficiencies and thereby reduce its expenses. The simple fact that any related problems may not occur until

80 a future date does not diminish the significance of the potential for consumer harm. 81 Q: In his rebuttal testimony, Mr. Smith asserts that Verizon warned that FairPoint's 82 systems "may not have been ready to go into production, but Verizon's advice was ignored by FairPoint."5 Please respond. 83 84 A: Unlike with the FairPoint transaction, decisions about when to integrate Verizon's 85 replicated systems with Frontier's existing systems will occur well after the transaction has occurred. As the transaction is presently structured, it does not appear that Verizon will 86 have an opportunity to "warn" Frontier if Verizon is aware of any glitches. Similarly, 87 unlike the example that Mr. Smith gives of its warning to Vermont regulators, 6 it is not 88 89 evident that Verizon would have any obligation post-closing to warn the Commission if 90 Verizon is aware of the possible lack of "readiness" of Frontier to integrate the replicated 91 systems. Therefore, Frontier and Frontier's customers would bear the consequences of 92 any problems with systems integration. 93 O: Please describe your understanding of Mr. Smith's description of the timing for the 94 proposed systems replication and systems integration. 95 A: Verizon intends to create separate "instances" of existing systems and to operate them "in 96 full production mode" for at least 60 days before the transaction closing. Verizon intends 97 to "manage the transition process from end to end," and then Frontier will be given the

⁵/ Smith Rebuttal (Verizon), at 3.

⁶/ *Id.*, at 22.

⁷/ *Id.*, at 5.

opportunity to validate that the transition is successful. However, although the same 98 personnel will be operating the systems, 9 as Mr. Smith acknowledges, "attrition and 99 100 related matters" could affect the number of SpinCo employees that continue employment with Frontier. 10 101 Do you concur with Mr. Smith that "[t]here will be no urgency for Frontier to do 102 O: 103 anything other than run the acquired operations using the fully functional systems that will come with the operations"? 11 104 105 Not entirely. Although, pursuant to the Software License Agreement, Frontier could rely A: 106 on Verizon's maintenance of the operations for up to five years, each year that it does so, 107 Frontier must pay Verizon as much as \$94 million (unlike when Frontier acquired 108 Rochester's systems). In order to avoid that annual expense, Frontier must integrate the replicated systems with its own systems. ¹² Furthermore, Mr. Smith's example of Verizon 109 using the systems it received from the GTE transaction for more than ten years¹³ is an 110 inapt analogy because Verizon acquired GTE, and, therefore, did not need to pay any 111 112 ongoing fee to a separate company for maintenance. Contrary to Mr. Smith's assertion that the maintenance fee "will not create financial pressure for Frontier to transition," 14 it 113

⁸/ *Id.*, at 6.

⁹/ *Id.*, at 9.

^{10 /} *Id.*, at 10, footnote 11.

¹¹ / *Id*

After the first year, Frontier can purchase full, partial or no maintenance services from Verizon and also can choose to handle the systems on its own or it could contract out with a different third party. McCarthy Rebuttal (Frontier), at 19.

Smith Rebuttal (Verizon), at 18.

¹⁴/ *Id.*. at 20, footnote 24.

seems entirely plausible that the economic incentive facing Frontier to avoid paying \$94 million each year to Verizon would create a sense of urgency for Frontier to integrate systems.

Frontier's plans for systems replication and systems integration.

According to Mr. McCarthy, Frontier intends to evaluate the systems before determining the timing of and plans for integration, and "Frontier's view is that systems conversion will occur if and when they make sense, but there is no plan to fix what is not broken." Please respond.

Although, according to Mr. McCarthy, Frontier will not be under pressure to convert its systems prematurely "merely to avoid less than \$2 per line per month in maintenance fees," the fees in aggregate represent a significant sum of funds. Put differently, if Frontier were seeking to raise consumers' monthly rates per line by \$2 (in order to recover the maintenance fee), clearly consumers would be harmed, and the Commission could well be concerned about such a rate increase. The Joint Applicants have not demonstrated how Frontier would propose to either avoid or recover these fees.

Further, Don Shassian, Frontier's Chief Financial Officer, recently indicated that Frontier recognized the burden of that \$94 million annual payment to Verizon, and that Frontier's goal was to have a common set of operating systems by the end of 2012 – about 2 1/2 years after closing. Specifically, the transcripts of two recent meetings with Wall Street analysts contain the following colloquies:

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^{15 /} McCarthy Rebuttal (Frontier), at 20.

134 **Don Shassian - Frontier Communications - EVP & CFO** 135 Some things will change at closing. For instance, we will be paying 136 them \$94 million based on the merger agreement to manage the 137 systems for the 13 states. That is the only significant charge that we 138 will be paying Verizon that is not in those financials. It's sort of 139 built into the allocation but it will look a little bit different. 140 141 So in our financials post-close it will be our employee, our non-142 wage costs, and will have an outsource arrangement to Verizon for 143 managing those systems of about \$94 million. We feel pretty good 144 about those financials and representation they have given us as to how they will stand. 145 146 147 Ana Goshko - Bank of America-Merrill Lynch - Analyst 148 And how long is that outsourcing relationship on the IT? 149 150 **Don Shassian - Frontier Communications - EVP & CFO** 151 It can go on for a number of years. It will certainly be in our best 152 interest to get it on to our systems to get to consolidated systems as 153 soon as possible. Our view is that we think we can get the synergies 154 accomplished by the end of 2012. That would say that to be able to

by that period of time.

We have not laid out any plans for the conversions yet. We are really focused on West Virginia and we probably won't lay out those plans or develop them until we get a hold of the property itself.17

make that happen we have got to get all of those systems converted

Don Shassian - Frontier Communications Corporation - EVP, **CFO**

The \$94 million is an annual payment. It is an outsourcing, is the best way, I think, to explain it for them to maintain the system code for us of those 13 states. We are still working through the agreement with them about how that is going to work, but as we come off of those systems, that fee is going to come down. So eventually, when we get it fully migrated onto our platform of

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^{16 /} *Id.*, at 21.

^{17 /} Transcript of Bank of America conference, December 2, 2009, pp. 5-6.

172		systems, that \$94 million payment will absolutely go away.
173174		Batya Levi - UBS - Analyst
175		How long do you expect to keep that outsourcing relationship?
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177		Don Shassian - Frontier Communications Corporation - EVP,
178		CFO
179		I can't talk about how long the \$94 million and how it's going to
180 181		come down, Batya. But we think that we'll be able to migrate onto all of our systems one platform of systems by the end of 2012. 18
182		an of our systems one platform of systems by the end of 2012.
183	Q:	What is your understanding of Frontier's response to Staff's concerns about
103	Ų.	What is your understanding of Frontier's response to Stair's concerns about
184		integrating Verizon's systems with those of Frontier's systems?
185	A:	Mr. McCarthy indicates that Frontier can agree to Staff's proposed reporting
186		requirements, under which Frontier would submit a detailed operations support system
187		integration plan to the Staff's Chief Engineer, which would describe the operations
188		support system to be replaced, the system that will be in place, and the reason for the
189		change. 19 Furthermore the plan would identify the impact on personnel levels in Illinois,
190		the location of the current and the new system, and the name of any consulting firm that
191		would be assisting with the integration. ²⁰ Among other things, Frontier would meet with
192		the Staff's Chief Engineer and commit to submit the plan to the Chief Engineer no fewer
193		than 180 days before implementing the transition. ²¹
194	Q:	Mr. Smith contends that "[n]o third-party monitor would be more capable, or
195		better incented, than Verizon to complete the replication or Frontier to fully validate

9 PUBLIC (REDACTED) VERSION

Transcript, UBS Conference, December 8, 2009, p. 7.

McCarthy Rebuttal (Frontier), at 22.

²⁰ / *Id.*, at 23.

196		and confirm whether Verizon has complied with its obligations." ²² Does this
197		explanation cause you to revise your recommendations regarding systems
198		replication and systems integration, which you describe in your direct testimony? ²³
199	A:	No. There is sufficient difference between the interests of the Joint Applicants'
200		shareholders and of Frontier's customers to warrant an independent review of the
201		replicated systems and Frontier's readiness to operate them. Also, I continue to
202		recommend that post-transaction, Frontier's plans for integrating the replicated systems
203		with its own systems be subject to an independent audit, in addition to being subject to the
204		Commission's Telecommunications Chief Engineer's review, as described at pages 22-23
205		of Mr. McCarthy's rebuttal testimony.
206	Q:	What is your understanding of the time table for the replication of Verizon's
207		systems?
208	A:	Mr. McCarthy describes the following five steps:
209 210 211		 Hardware and coding to be completed by the end of December (installing hardware and servers in the Fort Wayne Data Center, developing routing configurations, and testing the database migration strategy).
212 213		• Configuring systems by the end of January (stabilizing the hardware and software and systems interface testing).
214 215 216		• Testing to be completed by the end of March (with an early data migration to the replicated systems in January-February and end-to-end readiness testing for all services, flows, and business processes, and then operational readiness testing).
217		• Data migration and synchronization to be completed prior to closing (Verizon

²¹ / *Id.*, at 23.

Smith Rebuttal (Verizon), at 24.

²³ / Baldwin Direct (IBEW), at 86-87.

218219		plans to copy the latest production data files to the replicated systems and maintain one-way transaction log updates).
220 221 222		 Replicated systems proving to be completed prior to closing (includes deleting data for the Verizon/GTE operations that will not be transferred as part of the proposed transaction).²⁴
223	Q:	Are you aware of any need to rush the process of replicating the systems and
224		verifying the accuracy of such replication?
225	A:	No. Mr. Smith makes repeated reference to a 60-day period, but I am unaware of any
226		factors that would make it necessary to rush the process of replicating the systems and
227		verifying their accuracy.
228	Q:	Have the Joint Applicants explained the plans and time table for training?
229	A:	No. I am not aware of the Joint Applicants' explanations of their plans and time line for
230		training existing Frontier employees on Verizon's replicated systems and existing SpinCo
231		employees on Frontier's systems (for post-integration).
232	Q:	But won't the same SpinCo employees who now use Verizon's systems simply be
233		transferred to Frontier, thereby retaining the familiarity and expertise with
234		Verizon's systems?
235	A:	I understand that this is the Joint Applicants' expectation, but it is unclear, for example,
236		how many employees would need to relocate (and may choose not to do so), how many
237		employees may seek employment elsewhere with Verizon, and how many employees may
238		retire.

²⁴ / McCarthy Rebuttal (Frontier), at 17-18.

239 If, post-transaction, Frontier were to encounter any problems with its integration of 0: 240 the replicated versions of Verizon's systems, would there be any consequence for 241 Verizon? 242 A: As I understand the transaction, Verizon will be maintaining the systems for at least the 243 first year after closing. Presumably that would include fixing any problems that arise 244 during replication and transition. But, as the deal is currently structured, the ultimate risk of any such problems would appear to fall on Frontier and its customers. 245 The Joint Applicants fail to rebut concerns about the post-transaction 246 broadband deployment in Illinois. 247 248 The Joint Applicants repeatedly seek to distinguish Frontier's focus on rural areas 0: 249 and smaller cities from Verizon's focus on "alternative priorities" such as wireless service and FiOS.²⁵ Wouldn't this shift in focus benefit consumers in the SpinCo 250 251 areas of Illinois? 252 This is clearly what the Joint Applicants want the Commission to conclude. The appeal of A: a carrier with a business plan that includes a focus on less densely populated areas, as 253 254 compared with a carrier that has a corporate focus on wireless and FiOS, is 255 understandable. Indeed, based on my participation on behalf of the Consumer Advocate 256 in the New Hampshire Public Utility Commission's investigation of the Verizon-FairPoint 257 transaction, I am well aware of the combination of frustration with an existing carrier's 258 foot-dragging on broadband deployment and assertions by an acquiring carrier of a

²⁵ / Erhart Rebuttal (Verizon), at 16. See also McCarthy Rebuttal (Frontier), at 13-14.

commitment to broadband deployment. However, as I stated in my direct testimony, ²⁶ regulators' interest in broadband deployment should not cloud their judgment about the merits of a transaction, particularly where such broadband deployment may not be enforceable and where Verizon has not established a fund to support such deployment. Frontier's pre-transaction interest in deploying broadband is not the same as its financial ability to do so post-transaction. Will Frontier benefit from high cost support in the SpinCo territory of Illinois? Q: No. The federal universal service high cost support will not be an option in Illinois.²⁷ By A: comparison, in its existing territories, Frontier has benefited from high cost support, which at least indirectly has assisted the company in reaching its 90% deployment in its existing territory. I understand that high cost support does not explicitly subsidize broadband, but improvements in the local network infrastructure often are an essential precursor to broadband deployment. As stated by the Organization for the Promotion and Advancement of Small Telecommunications Companies ("OPASTCO"), an organization of which Frontier is a member, in comments filed with the Federal Communications Commission ("FCC"): "The success many rural ILECs have had deploying broadband to a substantial percentage of their customer base has been made possible, in no small measure, by the existing embedded cost-based support systems, which presently supports

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²⁶ / Baldwin Direct (IBEW), at 41.

See, e.g., Erhart Rebuttal (Verizon), at 16, where Mr. Erhart states that Verizon does not receive any high-cost support in Illinois.

investment in broadband-capable, multi-use network infrastructure."28 277 278 Q: Has the FCC addressed the relationship between its high cost fund and broadband 279 deployment? 280 A: Yes. The FCC stated in its National Broadband Plan Notice of Inquiry: 281 Although the High-Cost program does not explicitly support the provision of 282 broadband, as do the Schools and Libraries and Rural Health Care programs, a 283 carrier providing broadband services indirectly receives the benefits of high-cost 284 universal service support when its network provides both the supported voice services and broadband services.²⁹ 285 286 287 Q: Please elaborate on the significance of federal high cost support to Frontier's 288 broadband deployment. 289 USF support may explain, in part, Frontier's ability to deploy broadband. Throughout its A: 290 existing footprint, Frontier receives an average of \$5.55 per loop in federal high cost loop support.³⁰ By comparison, on average, Verizon receives approximately \$4.12 in high cost 291 model support per loop in the SpinCo footprint.³¹ However, 99% of Spinco's high cost 292 293 loop support is for West Virginia. Excluding its West Virginia operations, Verizon

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In the Matter of a National Broadband Plan for Our Future, GN Docket No. 09-51, Comments of the Organization for the Promotion and Advancement of Small Telecommunications Companies, June 8, 2009, at 22.

In the Matter of A National Broadband Plan for Our Future, FCC GN Docket No. 09-51, *Notice of Inquiry*, at para. 39. See, *id.*, at footnote 49 stating: "The public switched network is not a single-use network, and modern network infrastructure can provide access not only to voice service, but also to data, graphics, video, and other services. The Commission's policies do not impede the deployment of modern plant capable of providing access to advanced service."

Universal Service Administrative Company, Fourth Quarter Appendices - 2009, Tables "HC01-High Cost Support 4Q09" and "HC05 HCL by State by SAC 4Q2009," available at http://www.usac.org/about/governance/fcc-filings/2009. USAC data indicate that Frontier is expected to receive approximately \$12.5 million in high cost loop support in 2009. As Table 1 in my direct testimony shows, Frontier serves 2,254,333 lines.

Universal Service Administrative Company, Fourth Quarter Appendices - 2009, Tables "HC01-High Cost Support 4Q09" and "HC05 HCL by State by SAC 4Q2009," available at http://www.usac.org/about/governance/fcc-filings/2009. USAC data indicate that Verizon is expected to receive approximately \$19.8 million in high cost loop support in 2009. As Table 1 in my direct testimony shows, Verizon serves 4,790,673 loops.

receives only \$0.03 per loop.

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Q: Please explain your analysis further.

My analysis examines the loop portion of the FCC's high cost fund, as it is provided to Frontier through the rural high cost loop program in Frontier's existing footprint and as it is provided (primarily) through the non-rural carrier high cost model program to Verizon in the 14-state SpinCo area. (Various federal universal service mechanisms provide high-cost support to rural carriers: High Cost Loop Support; Interstate Common Line Support ("ICLS");³² Local Switching Support and Interstate Access Support (rarely, only to price cap rural carriers).³³ High Cost Model support (also known as the forward-looking support), Interstate Access Support and ICLS (rarely, only to rate-of-return carriers) are available to non-rural carriers.³⁴) Frontier's relatively higher amount of high cost loop support may have contributed to Frontier's ability to deploy broadband in its existing service territory.

Mr. Erhart contends that you rely on misleading investment figures for Verizon

Q: Mr. Erhart contends that you rely on misleading investment figures for Verizon (\$132 per access line in 2007 and \$153 per access line in 2008), which, according to Mr. Erhart "are skewed by expenditures on FiOS video in a small number of

³² / Long Term Support was merged into ICLS in July 2004.

Federal-State Joint Board on Universal Service, and Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Carriers and Interexchange Carriers, *Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256*, 16 FCC Rcd 11244 (2001), as corrected by Errata, CC Docket Nos. 96-45, 00-256 (Acc. Pol. Div. rel. June 1, 2001)("Rural Task Force Order"), at para. 13; http://www.usac.org/hc/competitive-carriers/step01/

³⁴ / *Id*.

states." Is your analysis misleading? 310 311 A: No. Instead, Mr. Erhart's "re-calculation" whereby he subtracts Verizon's capital 312 expenditures on FiOS video to yield an "alternative" number of approximately \$85 per line in 2007 and 2008 is misleading.³⁶ My point – that Verizon was able to expend, on 313 314 average, \$132 per line in 2007 and \$153 per line in 2008 – is relevant because it provides 315 evidence of Verizon's financial resources and ability to upgrade its network. 316 Does Verizon, in other regulatory proceedings, assert that FiOS benefits all Q: 317 consumers, not only those who subscribe to the service? Yes. In a post-hearing brief in Maryland, filed November 30, 2009, ³⁷ Verizon quotes its 318 A: 319 witness's testimony and extols the network benefits of FiOS, observing that Verizon's 320 FiOS deployment benefits all, not just those who subscribe: 321 Further, as Mr. Vasington explained in his direct testimony, the continued 322 deployment of FiOS will bring about substantial benefits in enabling 323 Verizon to improve service quality overall, not just for FiOS customers: 324 One of the significant advantages of this FiOS network is 325 326 that it will reduce the number of outside plant troubles. 327 Specifically, unlike copper, fiber (1) is not susceptible to 328 electromagnetic interference, (2) is immune to corrosion 329 due to moisture (in other words, there is no increase in 330 outages during heavy rains, as there is with copper), and (3) 331 has higher tensile strength than copper, thus giving 332 additional protection from weather related outages. All of 333 these advantages result in a more reliable network – one

³⁵ / Erhart Rebuttal (Verizon), at 17 See also McCarthy Rebuttal (Frontier), at 67-68, which states, among other things, "the data clearly demonstrate that Frontier will invest more in the overall VSTO non-FiOS network in the coming years than Verizon has in the past.

³⁶/ Erhart Rebuttal (Verizon), at 18.

In the Matter of Appropriate Forms Of Regulating Telephone Companies, Maryland Public Service Commission, Case No. 9133, PostHearing Brief of Verizon Maryland Inc., et al., November 30, 2009.

334 that will lessen the number of customer troubles and reduce 335 customer inconveniences. FiOS has a rate of outside plant 336 troubles that is about 80% lower than for copper plant -afact that itself refutes any suggestion that the deployment of 337 338 FiOS is somehow inconsistent with a commitment to 339 customer service. In those cases in which there is an outage 340 over fiber, Verizon is able to more quickly start the process 341 of identifying the problem. With Verizon's fiber network, 342 upon learning of a customer problem, Verizon can use a 343 device to send a light signal across the fiber to "ping" the 344 ONT at the customer premises in order to determine 345 whether the problem is in the network outside the 346 customer's home, or inside the house itself. This quick troubleshooting, the ability to isolate the precise location of 347 the problem without delay, is a great service quality 348 improvement. In the case of the copper network, on the 349 350 other hand, often Verizon can begin the process of 351 identifying the problem only after a technician has been 352 dispatched to the customer's home – a step that delays the 353 diagnostic process for some period of time, and may cause 354 some inconvenience to the customer. 355 356 Vasington Direct Test. at 20. However, even customers who remain on 357 the copper network will benefit from the deployment of FiOS because the low trouble rate combined with the quick troubleshooting will free up 358 359 resources to respond to trouble reports on the copper network.³⁸ 360 361 Do you concur with Mr. Erhart (at 18-19) that Frontier will be best positioned to 0: 362 provide data necessary for an Illinois broadband map? 363 No. Mr. Erhart has not explained why my recommendation would not further the public A: 364 interest. Specifically, in my direct testimony I stated: 365 Verizon should also be required to provide comprehensive data about its infrastructure, broadband locations, broadband speeds, etc., in the format 366 367 that is required by the entity in Illinois that is responsible for broadband 368 mapping under the NTIA guidelines. This would enable Frontier to avoid

³⁸ / *Id.*, at 25-26.

incurring this expense, and would facilitate the state's ability to achieve its broadband goals in a timely manner.³⁹ 370 371 A commitment by Verizon to create a geo-referenced map of broadband availability in its 372 373 Illinois region as a condition would be entirely consistent with Frontier's statements about 374 its broadband plans, would enable Frontier to avoid incurring this expense, and would 375 facilitate the state's ability to achieve its broadband goals in a timely manner. 376 Q: According to Mr. Erhart, your condition "will become out of date once Frontier engages on its broadband expansion plans after the closing of the transaction."40 377 378 Please respond. 379 Contrary to Mr. Erhart's assertion, my recommendation is reasonable and would help the A: 380 state of Illinois identify unserved and underserved areas, consistent with the goal of the federal Broadband Data Improvement Act. 41 Section 6001(l) of the Recovery Act 381 382 requires the Assistant Secretary to develop and maintain a comprehensive, interactive, and 383 searchable nationwide inventory map of existing broadband service capability and 384 availability in the United States that depicts the geographic extent to which broadband 385 service capability is deployed and available from a commercial or public provider throughout each state. 42 Using Verizon's map as a foundation, Frontier can add relevant 386 387 data and thereby keep the broadband map of the Illinois SpinCo territory up to date. By

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^{39 /} Baldwin Direct (IBEW), at 98-99, citing Department Of Commerce, National Telecommunications and Information Administration, State Broadband Data and Development Grant Program, RIN 0660-ZA29, Notice of Funds Availability, July 8, 2009.

Erhart Rebuttal (Verizon), at 18.

^{41 /} Pub. L. No. 110-385, 122 Stat. 4096 §103(c) (2008). See Baldwin Direct (IBEW), at 47-48 for further discussion.

Recovery Act § 6001(1), 123 Stat. at 516.

389 roads and highways because next year the map could become outdated by virtue of new 390 roads being built. 391 O: Are there any other reasons that Verizon should provide the data required by NTIA 392 instead of Frontier? 393 A: Yes. A Fact Sheet release by NTIA states that "NTIA intends to fund high-quality 394 projects that are designed to gather data at the address level on broadband availability, 395 technology, speed, infrastructure, and average revenue per user (ARPU) across the project area." Given that Frontier has not physically inspected the infrastructure it proposes to 396 397 purchase, it is unlikely that Frontier will be able to respond to NTIA with the requested 398 information in a timely manner. In contrast, Verizon currently has the required data. 399 Furthermore, the Fact Sheet also specifies that broadband data should "identify and address broadband challenges in the state." Clearly Frontier cannot speak for Verizon to 400 401 "identify and address" challenges to broadband deployment in Verizon's territory in 402 Illinois, but Verizon certainly can detail the reasons for its limited deployment. Should it 403 approve this transaction, the Commission should require Verizon to provide these data, 404 rather than putting the burden on Frontier. 405 O: Mr. McCarthy asserts that it intends to meet the requirements of Section 13-517 of 406 the Public Utility Act, which, as described by Staff, requires Illinois local exchange

way of analogy, Verizon's logic would suggest that one should never create a map of

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NTIA, State Broadband Data and Development Program Notice of Funds Availability – Fact Sheet, July 2009.

carriers to make "advanced services" available to at least 80% of their customers. ⁴⁵ Please respond.

Mr. McCarthy also states that Frontier commits that the Verizon South portion of the territory will be in compliance with the statute by December 31, 2013.⁴⁶ In comparison with the Staff-proposed time frame of two years from closing,⁴⁷ a commitment by Frontier that customers in the Verizon South territory must wait four years from now to obtain what may be only very basic "advanced" service, and furthermore that then only 80% of those customers would have access to these services is not much of a benefit.

Frontier does not explain why it will take four years from now for the service area to comply with the law. Moreover, neither applicant has explained why the Commission should permit a company that is out of compliance to just walk away from its legal obligation, leaving the new owner holding the bag. Thus as IBEW explained in its direct testimony, it is important for Verizon to remain responsible for the state of its operations in Illinois. In my opinion, it is unconscionable for Verizon to walk away from a service area that is not in compliance with the law, pocket the billions of dollars it will receive from Frontier, and then have Frontier take an additional 3 1/2 years to come into compliance.

Verizon should be demonstrating a good-faith effort to continue to achieve the statutory goal – that is, right now, Verizon should be deploying broadband rather than

A:

⁴⁴ / Ia

^{45 /} McCarthy Rebuttal (Frontier), at 38.

⁴⁶ / *Id.*, at 39.

427 In addition, even if the transaction is allowed to go forward, Frontier should 428 commit to a more expeditious deployment of advanced services to consumers in Illinois. 429 And Frontier's obligation should be coupled with funds from Verizon that are necessary to 430 bring Verizon South territory into compliance with Section 13-517. 431 Mr. Gregg asserts that Frontier offers broadband products at speeds faster than 3 0: mbps "in some areas." Does he specify which areas? 432 433 No. According to Frontier's responses to IBEW data requests, Frontier does not offer a A: faster speed than 3 mbps in Illinois⁴⁹ and Frontier "has no detailed plans at this time to 434 435 increase speed offerings in its existing Illinois service areas."50 436 O: Mr. Gregg states that as broadband is being deployed "available speeds are increasing as network infrastructure is upgraded."51 Does he provide any details 437 438 about such upgrades? 439 A: No. 440 Q: What is your understanding of Mr. Gregg's attempt to rebut your concern about the lack of evidence that Frontier will deploy broadband more aggressively and 441 442 successfully than would Verizon? 443 Mr. Gregg relies on "the undisputed facts," which he contends "are that Frontier has A:

harming consumers by essentially putting broadband deployment in a holding pattern.

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^{47 /} See McCarthy Rebuttal (Frontier), at 38.

^{48 /} Gregg Rebuttal (Frontier), at 24.

Frontier response to IBEW 2.4.

Frontier response to IBEW 2.9.

 $^{^{51}}$ / Id., at 25.

already deployed broadband to over 90% of its customers nationwide."⁵² As I 444 445 demonstrate earlier, this single fact is related in part to Frontier's receipt of per-loop high 446 cost support that exceeds that available to Spinco. Furthermore, Frontier's historic 447 deployment to 90% of its lines is of far less significance to consumers than is its extremely 448 slow plans for bringing low-speed broadband to consumers in Illinois. Joint Applicants fail to rebut adequately concerns raised about the level of due 449 diligence conducted by Frontier regarding Verizon's network. 450 451 Q: How do the Joint Applicants' respond to your concerns about the level of due 452 diligence conducted by Frontier regarding Verizon's network infrastructure in 453 Illinois? 454 A: Mr. McCarthy asserts that Frontier did not physically inspect Verizon's facilities "because its engineers and financial personnel do not gain much useful information by walking into a 455 456 facility" but rather "exchanged a significant volume of data electronically" with Verizon, beginning in March 2009.⁵³ Also, Frontier and Verizon participated in "numerous 457 conference calls between subject matter experts who relied upon and further probed the 458 data available electronically."54 459 Does Mr. McCarthy's testimony provide sufficient evidence of due diligence? 460 0: 461 A: No. 462 How does Mr. McCarthy's description of Frontier's investigation of Verizon's Q.

⁵² / *Id.*, at 27.

⁵³/ McCarthy Rebuttal (Frontier), at 15.

⁵⁴ / *Id*.

463 facilities compare with Frontier's investigation of Commonwealth Telephone's 464 facilities when Frontier acquired fewer than 400,000 lines from that company? 465 According to the proxy statement filed by Frontier (then known as Citizens A. 466 Communications) for the Commonwealth acquisition, Frontier's negotiations and 467 investigation of Commonwealth took about three months – the same amount of time to 468 investigate 400,000 lines in one state as they spent investigating Spinco's operations with 469 more than 10 times as many lines in 14 states. The proxy statement also includes this 470 statement: "In response to requests by potential bidders, Commonwealth provided 471 additional due diligence materials and arranged site visits and meetings with its key 472 personnel."55 Joint Applicants mischaracterize NASUCA's position regarding ARMIS data. 473 474 Q: Mr. Gregg suggests that "ARMIS data alone" is insufficient for an investigation of a company's service quality.⁵⁶ Do you agree? 475 If a state utility commission sought to investigate a company's service quality, the 476 A: 477 commission would rely on as many resources as possible. ARMIS data is one such resource. In an ideal world, telecommunications carriers would make state service quality 478 479 reports available to the public and to intervenors in regulatory proceedings. However, I 480 do take issue with Mr. Gregg's characterization of the National Association of State 481 Utility Consumer Advocates' (NASUCA) position in the FCC's proceeding examining 482 ARMIS reporting requirements.

⁵⁵ / Proxy statement of Citizens Communications Corp. dated Dec. 20, 2006, p. 20.

483	Q:	Do you think Mr. Gregg mischaracterizes NASUCA's position?
484	A:	Yes. Mr. Gregg's cite to NASUCA's comments portrays NASUCA as opposed to
485		ARMIS outage reports and Mr. Gregg would have this Commission conclude that
486		NASUCA found ARMIS data to be of limited use as an indicator of service quality. In
487		fact, NASUCA was arguing against the sole reliance of the FCC on outage reports in lieu
488		of the wider group of statistics that ARMIS reporting entailed. NASUCA stated:
489 490		AT&T also claims that the outage reports now required by the Commission should suffice for service quality information. But the outage reports are
491		limited in scope, addressing only service outages as required by the
492		Commission's rules. "Service quality" for consumers extends well beyond
493		the situation where the service is simply not available, as in an outage.
494		
495		More important, however, is that unlike ARMIS reports, the outage
496		reports are not made available to the public. The Commission has
497		authority to issue periodic reports based upon its review of the filed outage
498		reports. Such Commission reports could serve to alert Congress and the
499		public as to any patterns or ongoing systemic problems that may require
500		legislation or revised regulations if the industry has not addressed the
501		problems, e.g., through the development and application of Best Practices.
502		However, the Commission has yet to exercise that authority. Thus the
503		notion of substituting the outage reports for the current ARMIS reporting
504		fails to meet the need met by the ARMIS reports. ⁵⁷
505		Indeed, the point of NASUCA's filing was to underscore the importance of the FCC's
506		ARMIS service quality reporting requirements and to oppose the elimination of those
507		requirements. ⁵⁸ Mr. Gregg seems to imply that ARMIS service quality data is simply

Petition of AT&T Inc. for Forbearance under 47 U.S.C. § 160(c) from Enforcement of Certain of the Commission's ARMIS Reporting Requirements, WC Docket No. 07-139, Comments of the National Association of State Utility Consumer Advocates, August 20, 2007, at 6 (notes omitted and emphasis supplied).

⁵⁶ / Gregg Rebuttal (Frontier), at 7.

NASUCA stated that the loss of ARMIS service quality reports would mean that: "... there would be no central repository of publicly available information on any telecommunications provider's service; little or nothing for ILEC customers to compare their ILEC's performance to, and little or nothing for customers of other carriers to look at

508		outage data and that is simply untrue. As shown in my direct testimony, the ARMIS
509		service quality data includes such metrics as initial out of service; repeat out of service;
510		installation intervals, etc., and, unlike the outage reports, are publicly available.
511	Q:	Mr. Erhart asserts that you "cherry-pick[]" a few measures of service quality from
512		ARMIS at a holding company level and that your analysis at pages 61-77 of your
513		direct testimony "is inappropriate." 59 Mr. Gregg asserts that your analyses of
514		ARMIS data "show a mixed bag." Please comment.
515	A:	Neither Mr. Erhart nor Mr. Gregg contest the accuracy of my analysis of ARMIS data.
516		The point remains that within the "mixed bag" of aspects of Frontier's service quality
517		performance, serious concerns emerge. For example, as I demonstrate in my direct
518		testimony, when the two companies' performances are examined at a holding company
519		level, the following can be concluded:
520 521		 In 2008 Frontier required over 4.5 days on average to install service, while Verizon required fewer than two days.⁶¹
522 523 524		 Frontier experiences far more trouble reports per 100 lines than does Verizon; most recently, in 2008, on an annual basis, Frontier had more than 28 initial trouble reports per 100 lines, while Verizon reported only 17.⁶²
525 526		 Verizon's and Frontier's consumers are without basic local service much longer than they were in 2000.⁶³
527		• In 2008, Frontier had more than 4.4 repeat trouble reports per 100 lines while

and for comparison with their service." Id., at 4.

Erhart Rebuttal (Verizon), at 19.

^{60 /} Gregg Rebuttal (Frontier), at 20.

Baldwin Direct (IBEW), at 74.

^{62 /} Id., at 75.

Id., at 75-76.

528		Verizon had fewer than 3. ⁶⁴
529 530 531 532 533 534 535		• Frontier's 2008 repair time for repeat troubles slowed (for former CTZ) from 19 hours in 2007 to 27 hours in 2008, and (for former FTR) from 22.6 hours in 2007 to 26 hours in 2008. This means that customers who experience more than one trouble on the same line are waiting longer for final resolution of the problems they report. Furthermore, as is the case with all of the ARMIS data, the metrics are annual <i>averages</i> , and therefore do not reflect the specific levels of service quality that any particular customer may receive. 65
536	Q:	What is your understanding of Mr. Gregg's other concerns about your analyses of
537		ARMIS data?
538	A:	Mr. Gregg asserts that Frontier's average installation, initial out-of-service, and repeat
539		out-of-service interval reports include data for: (1) customer-chosen appointments; (2)
540		Saturdays, Sundays and holidays; and (3) Internet outages. 66 According to Mr. Gregg,
541		these factors tend to increase the intervals. ⁶⁷
542	Q:	Did you seek information about Frontier's inclusion of customer chosen
543		appointments in Frontier's installation and service intervals?
544	A:	Yes. In a confidential response to a discovery request, Mr. Gregg provided the number of
545		company set appointments and the number of customer negotiated appointments for each
546		month from April 2008 through November 2009. ⁶⁸ However, these data shed no light on
547		the effect of customer negotiated appointments on average installation and service
548		intervals. Mr. Gregg's response does not show whether customers request installation and

^{64 /} *Id.*, at 79.

⁶⁵ / *Id.*, at 79-80.

⁶⁶ / Gregg Rebuttal (Frontier), at 10.

^{67 /} Id. See also, id., at 12-13 regarding Rochester.

Verizon and Frontier Confidential Response to IBEW Data Request 8.33.

549 service appointments sooner or later than non-customer-negotiated appointments. 550 Furthermore, according to Mr. Gregg, both Frontier and Verizon include customer negotiated appointments in their ARMIS reporting.⁶⁹ This means that, contrary to 551 Gregg's assertion, 70 there is no reason to question my comparison of installation and 552 553 service intervals of Frontier and Verizon at the holding company level. Both companies 554 apparently report installation and service intervals on the same basis. I showed that Frontier responds more slowly to requests for service installation than does Verizon.⁷¹ 555 556 Mr. Gregg did not rebut my analysis. In fact, Mr. Gregg confirmed much of my analysis.⁷² 557 Mr. Gregg states in his rebuttal testimony that Frontier's out of service ARMIS Q: 558 reports for Rochester Telephone include Internet outages as well as voice outages, and that this tends to "increase reported service intervals." Did you seek 559 information about Frontier's inclusion of Internet outages in its interval reporting? 560 561 A: Yes. In response to a discovery request as to the basis of his characterization that, unlike Frontier, other companies do not report Internet outages along with voice outages, Mr. 562 563 Gregg stated that "[t]o the best of [his] knowledge," Verizon does not include data on Internet outages, that "[n]o investigation was conducted concerning the reporting 564 practices of other carriers,"⁷⁴ but he does not provide any evidence that he has confirmed 565

⁶⁹ / Verizon and Frontier Responses to IBEW Data Requests 8.23 and 8.31.

Gregg Rebuttal (Frontier), at lines 381-391.

⁷¹/ Baldwin Direct (IBEW), at 72-75 and Figure 11.

⁷² / See IBEW Exhibit 4.2 (Verizon and Frontier Response to IBEW 8.30).

⁷³ / Gregg Rebuttal (Frontier), at lines 220 – 222 and 381-391

Verizon and Frontier Response to IBEW Data Request 8.24, attached as IBEW Exhibit 4.3.

566 this belief with Verizon. Furthermore, when asked to provide details about the number of 567 Internet outages versus the number of voice outages summarized in the ARMIS data, Mr. 568 Gregg failed to provide data relevant to the ARMIS data that I analyzed and that he questioned.⁷⁵ More specifically, while my ARMIS analysis included data for the calendar 569 570 years 2000 through 2008, Mr. Gregg provided data for only three months in 2008 and 11 571 months in 2009. Did Mr. Gregg provide data that supports his rebuttal of your analyses in Figures 1 572 Q: and 2 of your direct testimony? 573 574 A: No. Because he did not provide data for the time periods encompassed by my analysis, in 575 my view, he has not rebutted my testimony regarding Rochester's increased trouble 576 reports and increased time for repairing basic service. As I demonstrated in Figure 1 in my 577 direct testimony, during 2008, Frontier reported an increase in out of service trouble 578 reports in its Rochester region. Also as I demonstrated in Figure 2 of my direct testimony, after remaining steady during 2005, 2006, and 2007 at about 18.8 hours, the average time 579 580 required for Frontier to restore service increased by approximately 40% to 26.8 hours in 581 2008. I also note that Mr. Gregg did not dispute the rising trend in complaints I noted in 582 Figure 4 of my direct testimony.⁷⁶ 583 Please address the new information that has been provided in response to IBEW's O:

Verizon and Frontier Confidential Response to IBEW Data Request 8.25, attached as IBEW Exhibit 4.4. Mr. Gregg explains in this response his lack of relevant supporting data: "Prior to October 2008, the requested data were generated by a different system and are now archived."

⁷⁶/ See IBEW Exhibit 4.5 (Verizon and Frontier Response to IBEW 8.26).

585 A: According to Mr. Gregg's data response, for the twelve-month time period spanning 586 October 2008 through September 2009, out-of-service Internet access accounts for 587 <<<BEGIN CONFIDENTIAL 588 **END CONFIDENTIAL** >>>⁷⁷ 589 590 in my view, the FCC and state regulators should be concerned about out-of-service DSL 591 lines because of consumers' increasing dependence on reliable Internet access. 592 Particularly where Frontier repeatedly refers to its planned broadband deployment as a 593 benefit of the transaction, it is important to consider the quality of the broadband service 594 that Frontier provides. 595 What other new data did Mr. Gregg provide in response to IBEW's data request? **Q**: 596 In response to IBEW request 8.32, Mr. Gregg provided a breakdown of out of service A: 597 troubles separately by voice service and Internet service for Frontier Illinois and Verizon 598 Illinois. When these data are normalized by number of total number of lines for each 599 company, they show that Frontier had more problems than Verizon for the period in which 600 both companies report data, April 2008 through October 2009, for voice and for Internet access.⁷⁸ Figure 1 below shows out of service troubles per 100 lines for voice service 601

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data request.

These calculations use October 2008 through Sept 2009 Internet outage data as a proxy for a full year of 2008 data. (Verizon and Frontier Confidential Response to IBEW Data Request 8.25.) Initial outage data are as reported in ARMIS for 2008.

The out of service voice troubles are normalized by dividing by the number of access lines for each company, 97,461 for Frontier, and 573,321 for Verizon, based on Frontier's Form S-4, filed July 24, 2009, at 156. The out of

based on the data that the Joint Applicants provided.

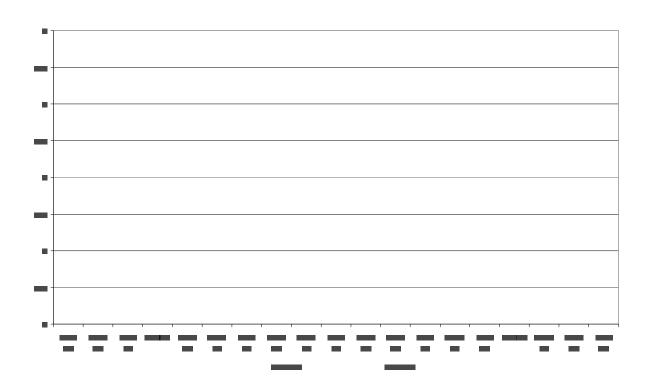
Figure C-1⁷⁹ 603 Out of Service Troubles (Voice Service) in Illinois 604 605 **Reports per Hundred Lines April 2008 – October 2009** 606 607

<<<BEGIN CONFIDENTIAL

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END CONFIDENTIAL>>>

610 Based on the data that the Applicants submitted, did you similarly compare 0:

Frontier's and Verizon's out-of-service troubles for Internet access?

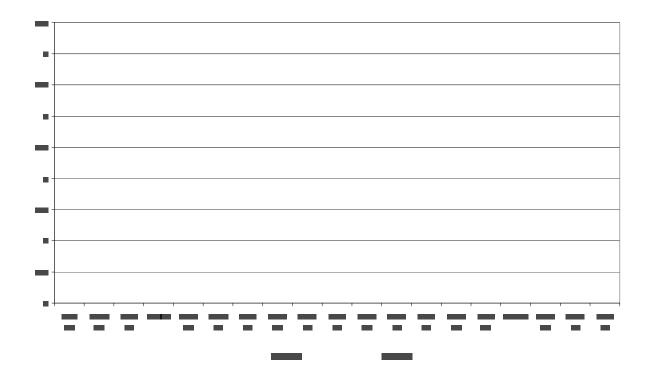
612 A: Yes. Figure 2 below shows out of service troubles per 100 lines for Internet service.

service Internet troubles are normalized by dividing by my estimates of the quantities of DSL lines that each of the Joint Applicants serve.

Verizon and Frontier Confidential Response to IBEW 8.32; Frontier Communications Corp., Form S-4, filed July 24, 2009, at 156.

Figure C-2⁸⁰
Out of Service Troubles (Internet Service) in Illinois
Reports per Hundred DSL Lines
April 2008 – October 2009

617
618 <<<BEGIN CONFIDENTIAL & PROPRIETARY



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END CONFIDENTIAL & PROPRIETARY>>>

Q: In computing out-of-service per hundred lines, does your analysis in Figure 2

include all lines that Frontier and Verizon serve in Illinois?

A: No. I express the out of service reports per hundred lines in relationship to my estimates

Verizon and Frontier Confidential Response to IBEW 8.32; Frontier Communications Corp., Form S-4, filed July 24, 2009, at 156.

of the number of residential DSL lines that each of the Applicants serves in Illinois.⁸¹ In 625 order to compute an estimate of Frontier DSL lines in service, I relied on the following: 626 627 <<<BEGIN CONFIDENTIAL & PROPRIETARY 631 636 638 640 END CONFIDENTIAL & PROPRIETARY>>> 641 642 Q: What is the relevance of these two figures to your review of Mr. Gregg's rebuttal 643 testimony? 644 One of Mr. Gregg's criticisms of my ARMIS analysis is that the out of service ARMIS A: data includes Internet out of service troubles as well as voice out of service troubles. The 645 646 data he provides confirms my analysis that Frontier has more problems on a per line basis

Because I have divided by only residential lines for each of the Applicants, the presence of out-of-service business DSL lines should have approximately the same impact on the Applicants.

Joint Applicant response to IBEW 8.18 Q1 2009.

Project North Overview Project Kickoff Call, June 1, 2009, HSR 4(c)(8)(r, page 9.

See Baldwin Direct, SMB-HSC-3 (April 16 Board of Directors presentation, page 20).

648 service. 649 Mr. Gregg asserts that there were no complaints in 2008 against Global Valley.⁸⁵ Q: 650 Does that provide sufficient evidence of adequate service quality? 651 A: No. Based on my experience as the Director of the Telecommunications Division with the 652 Massachusetts Department of Public Utilities, carriers can provide sub-par service quality without necessarily causing consumer complaints, for various reasons such as: consumers 653 654 may not take the time to complain; may not know to whom to complain; and may not 655 believe that their complaints will make any difference. Therefore, the absence of 656 consumer complaints does not provide adequate evidence of acceptable service quality. 657 O: Mr. Gregg observes that you did not include Commonwealth in your analysis of service quality for Frontier's recent acquisitions, and further asserts that the 658 659 Pennsylvania Office of Consumer Advocate was not aware of any problems with Commonwealth and "received few, if any complaints concerning Commonwealth." 86 660 661 Please respond. Contrary to Mr. Gregg's assertion, the customer complaint rate more than quintupled after 662 A: 663 Frontier acquired Commonwealth in March 2007. Specifically, the "justified" residential complaint rate rose from 0.06 per 1,000 residential customers in 2006 to 0.32 in 2007.87 664

than does Verizon. Moreover, this pattern holds true for voice service as well as Internet

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^{85 /} Gregg Rebuttal (Frontier), at 11.

⁸⁶ / Gregg Rebuttal (Frontier), at 16-17.

Pennsylvania Public Utility Commission, Utility Consumer Activities Report and Evaluation 2007 ("PA PUC Report"), at 49. (available at http://www.puc.state.pa.us/General/publications_reports/pdf/UCARE_2007.pdf)

665 Also, Frontier Commonwealth's response time to residential customer complaints rose from 5.6 days in 2006 to 14.9 days in 2007.88 Finally, the PA PUC's measure of 666 667 infractions shows that Frontier Commonwealth committed more than twice as many 668 Chapter 63 (quality of service) infractions of Commission policy in 2007 (0.19 per 1,000 669 residential lines) than in 2006 (0.08 per 1,000 residential lines), and nearly twice as many 670 Chapter 64 (billing) infractions in 2007 (0.19 per 1,000 residential lines) than in 2006 (0.11 per 1,000 residential lines).⁸⁹ 671 Mr. Gregg addresses your discussion of Frontier's performance in New York. 90 672 Q: 673 Does he address your concerns about service quality in the Rochester area? 674 No. In fact not only does Mr. Gregg not rebut my concerns, he also does not dispute the A: 675 facts of spikes in outages and an increasing trend in customers complaints. Rather, he 676 attempts to explain away the clearly deteriorating performance and to sever the link 677 between Frontier's system transition and the decline in performance. Regardless of the 678 existence of a link between systems integration and declining service, however, New York 679 Public Service Commission ("PSC") data clearly show an increase in complaints and 680 outages. 681 Mr. Gregg states that his Exhibit 4.1 represents a "commendation" of Frontier for 0: its service quality.91 Do you agree? 682 683 No. The report Mr. Gregg includes as Exhibit 4.1 is a quarterly report of service quality A:

PA PUC Report, at 50.

⁸⁹ / *Id.*, at 56-57.

Gregg Rebuttal (Frontier), at 12-16.

required by the New York PSC. It is no way a "commendation," and does not in any way congratulate Frontier on its service.

- Q: Mr. Gregg suggests that you ignore the New York PSC's conclusions found in this report. Do you agree?
- 688 No. However, in my analysis I take into account the reported customer complaints, while A: 689 the New York PSC does not. In explaining the components of the report, New York PSC 690 states that "[c]omplaints are not a part of the Commission's Service Standards, but serve 691 as an independent measure of service quality apart from performance reported by the carriers under the standards."92 That is, while the New York PSC monitors complaints, 692 693 the complaints are not currently part of the "Service Quality Measurement." This might 694 explain why the increasing trend in complaints does not produce a reprimand from the 695 New York PSC. Later in Mr. Gregg's Exhibit 4.1, the New York PSC explains its 696 benchmark for customer complaints per 1,000 lines per year: "The threshold used to indicate good performance is set at 0.074 or lower per year."93 I found that Frontier's 697 698 reported average monthly customer complaint rate is higher than the "good performance" 699 (at about 0.097 for 2008), which serves as an indicator of *poor* performance.
- 700 Q: Mr. Gregg states that "[m]ore importantly, Ms. Baldwin can point to no state 701 proceeding raising concerns about Frontiers (sic) quality of service or level of

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⁹¹ / *Id.*, at 14.

⁹² / *Id.*, at Exhibit 4.1, page 7.

^{93 /} Id., at Exhibit 4.1, Appendix A, page 4.

investment in outside plant."94 Please address this point. 702

Mr. Gregg's argument is unpersuasive. State commission resources are limited, and, where resources are devoted to quality of service investigations, those resources are understandably more likely to be focused on the large incumbent local exchange carriers serving a state. As Table 1 in my direct testimony shows, in most of the states in which Frontier operates as a local carrier, it serves relatively few lines, and, therefore, is far less likely to come under regulatory scrutiny than are AT&T, Verizon, and Qwest. Therefore, the Commission should afford little weight to the absence of regulatory investigations of Frontier's service quality.

III. CONCLUSION

- 712 In summary, what do you recommend? Q:
- 713 A: I recommend that the Commission deny the application because the proposed transaction 714 is not in the public interest, as I described above and in my direct testimony.
- 715 Does this conclude your rebuttal testimony? Q:
- 716 A: Yes.

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^{94 /} Gregg Rebuttal (Frontier), at 21.



OSS Interface Change Management Meeting May 11, 2004

10:00 AM – 12:00 PM 1095 Avenue of the Americas, New York, NY – Fl/Rm. 32-03 Dial-In: (800) 347-6311

Agenda

- I. Welcome and Introductions (Tom Rodgers)
- **II. Special Projects**

(10:15-10:50)

- PA OSS Uniformity and Account Conversion (Carol Yozzo)
- LSI Redesign (Tim Burkhart)
- Website Enhancements (Stephen Cuttle)
- Business Rule Engine (Susan Pistacchio)
- Communications Plan for Core CABS Consolidation (Lisa A. Peterson)
- **III.** Departmental Discussion

(10:50-11:20)

- WCCC Bulletin Update– (Nick Umrani)
- **IV.** CMP Topic Review

(11:20-11:40)

- Topic# 73 Prioritization Process (Beth Cohen)
- V. Open Discussion

(11:40 - 12:00)

VI. Lunch

(12:00-1:00)

- VII. Change Control Items By Release (1:00 1:30)
- VIII. PWG (1:30 3:00)
 - CABs BOS v38 Issue (Steve Petito)
 - C04-0247 Hot Cut Special and UNE T1 -

OSS Interface Change Management Meeting Summary

75	PA Uniformity	9/10/02	 VZ advised the company is starting to get ready for the Pennsylvania conversion. VZ advised this conversion will include and cover the former GTE Pennsylvania customers being converted to the former Bell Atlantic suite of systems and OSS systems. VZ advised a phase one conversion will be done on the weekend of March 15th, 2003 this will cover the entire Eerie LATA. The second phase of the conversion, which will be the remainder of the state, will occur over the weekend of May 17th, 2003. VZ advised that the plan is to do similar type activity of sharing information and posting information to the Verizon website, similar to what was previously done for Virginia. There will be a specific place on the Wholesale website under the category of VAGTE Merger Commitments that will be entitled PAOSS Uniformity. VZ advised that each company that is involved in this conversion has been contacted. VZ advised if there are any CLECs who are involved and have not been contacted, should contact VZ ASAP. VZ advised that a change control notice will be distributed probably within the next several days.
		11/12/02	 VZ advised that the Pennsylvania conversion to former BA OSS interfaces is on track for 3/17/03 for phase one for the Erie LATA and for May 17th for the balance of the NPA NXX's in Pennsylvania. VZ advised a workshop is scheduled to walk through the conversion details. The workshop is not only for those in Pennsylvania who will be converting but for anyone who wants to participate. VZ advised the WEBEX will be used for the training therefore advance registration is necessary. VZ advised that the e-mail also included a mailbox for the communications group, this is pava.clec.communication@verizon.com. VZ advised there will be a change control notice for Bill Manager, which is replacing Simple View which will be discussed in the workshop.
		12/10/02	 VZ thanked all CLECS who participated in the conference for Pennsylvania last month. VZ advised that this was a success, and that there were many participants using the WEBEX, which was used for the first time in these meetings. VZ advised this will continue to be used. VZ advised there will be a second conference which will take place on February 20th from 1-3p.m Easter standard time. A notice will be distributed shortly which will provide the date and call in number. A reminder will also be distributed as the February 20th date approaches. VZ advised an informational bulletin will also be distributed to advise that Cyber DS1, which was only available in the former GTE, will now be available in the former Bell Atlantic regions. VZ advised that questions asked at the conference regarding PAVA are also in the process of being completed and responses will be provided shortly. VZ advised that new profiles received from CLECS who are involved in the PA conversion still need a bit more work. These CLECS should have or will receive a call from their account manager within the next 24 hours. CLECS were advised to treat this with a sense of urgency, as the profiles must be updated to be very complete and accurate.
		1/14/03	 Verizon proposes to treat topic as CMP agenda item. Verizon will status in CMP Meeting Notes. Move to CMP Archive to reduce volume of paper. Vz advised that it is very important that all Pennsylvania impacted CLECS complete a new profile. Vz advised that communication with the PA impacted CLECS as a follow up session has begun. Vz advised that there is a new CLEC guide version 2 that has been completed, this will be posted by the end of this week on the OSS website.

OSS Interface Change Management Meeting Summary

		2/11/03	- CMP notice will be issue to explain the move of the Erie LATA pilot from March to May. With the date for phase 2 to be available latter in 3 rd Q03. The Team is continuing one-on-one calls and responding to CLEC questions. CLEC encouraged to visit website for detailed Q/A. The workshop will be rescheduled for mid April. The USOC conversion document should be available on-line this week.
		3/11/03	- Expect notification of April 16 workshop to be issued within the next two weeks. The business rules used for Directory in fGTE may be different than the rules used by fBA. These are Directory Company differences. The Directories are not merging.
		4/8/03	- Verizon suggests the removal of Virginia Uniformity documentation found on page 17-25 and renaming pages 25 as Pennsylvania Uniformity with the May material. No CLEC objections to the proposal were noted. The VA Project is considered closed. The PA Project Team mentioned the April 16 PA Workshop, the need to check the PA section of the Verizon Wholesale website, and ongoing business to business contacts.
		7/8/03	- The CLEC community requested a notation summarizing earlier communication placing the completion of the PA Project on indefinite hold.
		1/13/04	4Q03 Recap. In October CMP, Verizon announced that the PA OSS Uniformity Project was resumed. Project leaders joined the October CMP meeting and continue providing monthly updates as part of standing CMP Agenda Item. The conversion team has identified and contacted all PA CLECs. External workshops and conversion document under development. See October forward CMP Transcript for details.
		2/10/04	March 18 th Pa Workshop – announcement to follow. Erie LATA target May 15 –for Phase 1. Phase 2 is July 17
		4/13/2004	Pa Team hosted industry call to discuss project implementation. PA website updated with handbook, order codes, CLLI codes and other useful information.
85	End User Level Listing Project	5/13/03	- This issue was created at the May CMP meeting to provide a reference point for the many phases associated with this project.

DATA REQUEST NO. 8.30:

Re lines 385 - 387:

- a. Please confirm or deny that the data for initial out of service intervals for Frontier (former CTZ) shows declining performance (longer intervals) since 2002.
- b. Please confirm or deny that the same data for Frontier (former FTR) show similar declining performance since 2006.
- c. Please confirm or deny that the data for repeat troubles shows that Frontier (former CTZ) experienced a greater number of repeat troubles per 100 lines than did the Verizon operating companies for each year 2006 2008.
- d. Please confirm or deny that Frontier (former FTR)'s repeat troubles increased each year from 2006 through 2008.

RESPONSE:

Without limitation of the other General Objections, please see, in particular, Applicants' General Objection Nos. 3, 7, 8, 9, 11 and 12. Subject to and without waiver of the general and specific objections, Frontier responds as follows:

- a. In 2003 Frontier (former CTZ) reported initial out of service intervals of 16.1 hours. In 2008 Frontier (former CTZ) reported initial out of service intervals of 23.3 hours. Mr. Gregg confirms that the reported 23.3 hours is longer than 16.1 hours. All data based on ARMIS 43-05 reports.
- b. In 2003 Frontier (former FTR) reported initial out of service intervals of 28.0 hours. In 2007 Frontier (former FTR) reported initial out of service intervals of 17.2 hours. In 2008 Frontier (former FTR) reported initial out of service intervals of 24.6 hours. Mr. Gregg confirms that the reported 24.6 hours is longer than 17.2 hours, but is shorter than 28.0 hours. All data based on ARMIS 43-05 reports.
- c. In 2006, Frontier (former CTZ) reported repeat troubles per 100 lines of 4.69. In 2007, Frontier (former CTZ) reported repeat troubles per 100 lines of 4.74. In 2008, Frontier (former CTZ) reported repeat troubles per 100 lines of 5.25. Mr. Gregg confirms that the reported 5.25 is greater than 4.74, and that 4.74 is greater than 4.69. All data based on ARMIS 43-05 reports.
- d. In 2006, Frontier (former FTR) reported repeat troubles per 100 lines of 2.59. In 2007, Frontier (former FTR) reported repeat troubles per 100 lines of 3.10. In 2008, Frontier (former FTR) reported repeat troubles per 100 lines of 4.39. Mr. Gregg confirms that the reported 4.39 is greater than 3.10, and that 3.10 is greater than 2.59. All data based on ARMIS 43-05 reports.

DATA REQUEST NO. 8.24:

Provide the basis for Mr. Gregg's statement that Frontier data includes data for Internet "outages." To the best of Mr. Gregg's knowledge, which other carriers also include data for Internet "outages"? Please describe the investigation conducted by Mr. Gregg to determine which other carriers include such data.

RESPONSE:

Without limitation of the other General Objections, please see, in particular, Applicants' General Objection Nos. 3, 7, 8 and 9. Subject to and without waiver of the general and specific objections, Frontier responds as follows:

The basis of the assertion is information communicated by Frontier officials. To the best of Mr. Gregg's knowledge, Verizon does not include data on Internet outages. No investigation was conducted concerning the reporting practices of other carriers.

DATA REQUEST NO. 8.25:

Re lines 220 – 222: explain the basis for the assertion that Rochester Telephone out of service interval data includes customer chosen appointments, weekends and holidays, and Internet "outages." How many of the out of service troubles reported in ARMIS relate to Internet service, and not to voice service?

RESPONSE:

Without limitation of the other General Objections, please see, in particular, Applicants' General Objection Nos. 3, 7, 8 and 9. Subject to and without waiver of the general and specific objections, Frontier responds as follows:

The basis of the assertion is information communicated by Frontier officials. Prior to October 2008, the requested data were generated by a different system and are now archived. Set forth below is the requested data for Rochester from October 2008 to the present.

*** Begin Confidential****

*** End Confidential***

DATA REQUEST NO. 8.26:

Re lines 229 - 230: does Mr. Gregg dispute that NY PSC's data show a rising trend of complaints per 1,000 lines? Is so, please explain.

RESPONSE:

Without limitation of the other General Objections, please see, in particular, Applicants' General Objection Nos. 3, 7, 8 and 9. Subject to and without waiver of the general and specific objections, Frontier responds as follows:

No. Mr. Gregg does not dispute the data shown on page 35, Figure 4, of Ms. Baldwin's testimony. Mr. Gregg would note, however, that the complaint data shown includes all types of complaints and is not limited to complaints related to network troubles or outages.